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SUBJECT: MILLENNIUM CHALLENGE CORPORATION BRIEFS PRIME
MINISTER ON RECENT PROGRESS

Sensitive but unclassified - protect accordingly

¶1. (SBU) Summary. On June 16, Prime Minister Driss Jettou met with Ambassador Riley and the visiting team from the Millennium Challenge Corporation (MCC) to discuss the results of the MCC team's recent meetings with the Government of Morocco's (GOM) Millennium Challenge Account (MCA) team. The MCC representatives briefed Jettou on progress, noting good results and that the two sides had developed a new methodology with which to analyze potential projects in Morocco's compact proposal to use MCA funds. They added that they hoped the GOM will have a new and condensed proposal ready by the end of July, but cautioned that the MCA team would need to work full-time on the proposal in order to meet that time frame. Jettou noted that he had asked the MCA to be flexible and open minded to the MCC's suggested changes to the current proposal. However, he then reiterated the importance of each of the elements in the current compact proposal. The recently developed methodology will offer an important optic to help guide future negotiations in developing an acceptable compact proposal. End summary.

¶2. (SBU) The MCC's Senior Country Director, Michael Grossman, told Jettou that he, Associate Country Director, Magda Ismail, and Senior Economist, Steve Anderson, had achieved good results during their three days of meetings with the MCA team. The two sides had achieved their main goal of developing a framework to analyze projects presented in the GOM's compact proposal. Grossman presented the two teams' mutual objective as, "stimulating economic growth by increasing productivity and improving employment in high potential sectors." He added that the teams were developing a second set of criteria, based on determining the suitability of public investment and the economic impact of various projects, to help sharpen their focus even more. The Ambassador emphasized the importance of this accomplishment because it will provide the two sides on agreed methodology to evaluate potential projects proposed for inclusion in the compact. Jettou was pleased with the methodology and noted the Moroccan public was watching the MCA program with great interest. Grossman said the MCC would stay in close contact with him and that MCC planned two more visits to Morocco by early July.

¶3. (SBU) Jettou proceeded to discuss the benefits of most of the programs included in the current compact proposal, although he acknowledged Grossman's assertion that some of them might need to be deleted. He noted the positive results of existing programs in the fields of micro credit lending, oases preservation, handicrafts, agriculture, fishing, textiles and the King's National Initiative for Human development (INDH). Jettou also discussed the

considerable work the GOM had done to identify potential growth sectors (off-shoring, aviation, automobile components, telecommunication, textiles, fishing and handicrafts) through a study conducted by McKinsey and Company. He said Morocco was opening its economy to the world and was facing stiff competition on several fronts. Therefore, the GOM was supporting large foreign investors (in the range of \$100 to \$150 million), such as Fruit of the Loom, with investment incentives. He added that after the MCA compact proposal was accepted, he would introduce a new private sector-led team to implement the plan.

¶4. (SBU) Grossman responded that most MCA member countries retain some members of their compact negotiating team on their implementation teams. Jettou agreed and even asked MCC to suggest members of the future implementation team. Grossman declined to suggest names, but recommended that civil society members should also be included. He added that the current MCA team should work on developing an acceptable compact proposal on a full-time basis, rather than their current part-time schedule, and Jettou agreed.

¶5. (SBU) Comment. The GOM will be pushed to deliver a new condensed proposal by the end of July, but the MCC team's current trip has helped to focus the GOM on the types of programs it should pursue. Jettou showed strong interest in getting the compact proposal completed by offering to increase Morocco's MCA team to a full-time basis to complete an acceptable proposal. The new methodology should help in focusing the GOM's proposal, however, it remains to be seen how readily the GOM will accept the need to eliminate certain programs contained in the current compact proposal.
BUSH